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TAGS: [PGOV](#) [PREL](#) [PA](#)
SUBJECT: LIBERAL PARTY POLITICS

Classified By: Charge d'Affairs Bruce Kleiner; reasons 1.4 (b) and (d).

¶1. (C) Hermes "Rambo" Saguier (protect), an opposition Liberal Party leader and one of presidential hopeful Fernando Lugo's advisors, told Pol/Econ Chief December 28 that the Liberal Party will not likely announce its December 9 primary results (designating Lugo's running mate) before early February. Saguier said the Liberals will probably declare Federico Franco the winner. If so, Franco's opponent, Carlos Mateo Balmelli, will challenge the Liberal Party's decision in the courts (NOTE: Balmelli has already challenged partial results. END NOTE). Saguier speculated that Mateo Balmelli's appeal would not be resolved before the February 1 deadline for registering all candidates. In that case, he said, the Liberal Party would form a committee and its director would choose Lugo's running mate from slate of Liberal candidates (excluding Franco and Balmelli).

¶2. (C) Saguier told Pol/Econ Chief that Chilean socialists visited Lugo in December and are interested in financing him to "counter" Venezuelan President Chavez. The International Socialist Party, according to Saguier, will sponsor a Lugo trip to Chile and Europe. Saguier also said a socialist named Ayala advised Lugo to get a "gringo" campaign advisor in order to send the United States "the right signals."

¶3. (C) Saguier said President Duarte is courting Cuba/Venezuela in an attempt to keep those countries from funding Lugo. Lugo, Saguier confided, is funded in part by Martin Heisecke, a Paraguayan businessman engaged in the pharmaceutical industry. Saguier said Heisecke was having trouble dealing directly with an American pharmaceutical company and asked for Embassy assistance "so Heisecke could keep funding Lugo and reduce Lugo's possible dependence on Chavez." (NOTE: Econoff's initial investigation revealed that the U.S. company decided not to pursue direct relations with Heisecke for valid business reasons, but Embassy will continue to explore. END NOTE).

¶4. (C) COMMENT: To the outside observer, the Liberals appear to be coming apart a little at the seams. Judicial challenges to the party's vice-presidential candidate could divide the party and undermine Lugo's fragile coalition of diverse interests-- the radical leftist P-MAS, the populist social movement Tekojoja, the mainstream Liberal Party, and others. However, all remain united behind a common goal-- ending 60 years of Colorado Party rule-- and many Embassy contacts say that the ongoing controversy and extended vote-counting is politics as usual in Paraguay. END COMMENT.

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KLEINER